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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 23, 2002

At the relation of the

CASE NO. PUE-2002-00645

STATE CORPORATION COMMISSION

Ex Parte: In the matter concerning
the provision of default service to retail
customers under the provisions of the
Virginia Electric Utility Restructuring Act

ORDER ESTABLISHING INVESTIGATION

Section 56-585 of the Virginia Electric Utility Restructuring Act ("Restructuring Act" or "Act"), (§ 56-576 et seq. of Title 56 of the Code of Virginia), directs the State Corporation Commission ("Commission") to determine the components of default service and establish one or more programs making such services available to retail customers, effective upon commencement of customer choice for all retail customers.¹ Default service, as defined in the Act, means service made available to retail customers who (i) do not affirmatively select a supplier, (ii) are unable to obtain service from an alternative supplier, or (iii) have contracted with an alternative supplier who fails to perform.

The Commission is of the opinion that the Staff of the Commission ("Staff") should invite representatives of incumbent electric utilities, competitive service providers, retail customers and other interested parties to participate in a work group that will assist the Staff in developing recommendations to the Commission regarding the components of default service

¹ Pursuant to the provisions of § 56-577 A 4, retail customer choice of generation provider must be available in the service territories of all Virginia electric utilities by January 1, 2004. It should also be noted that pursuant to § 56-585 C 1, when default service is provided by incumbent utilities, rates for that service will be such incumbents' capped rates under § 56-582 of the Act until the expiration or termination of such capped rates.

and the establishment of one or more programs making such services available to retail customers in furtherance of our statutory obligations under § 56-585 of the Act.

While the Staff and work group members may identify a number of issues for consideration, we particularly seek input and recommendations on the following in order to frame the work group discussion:

- (1) What should be the specific components of default service;
- (2) Whether, given the virtual absence of competition in Virginia's retail generation market, incumbent electric utilities should continue to provide default service at capped rates at the present time; if so, what changes in statute, policy, infrastructure, market conditions, and/or other circumstances are necessary to allow for the practical provision of default service by an entity other than the incumbent?
- (3) What should be the geographic scope of a default service provider's territory, i.e. statewide, incumbent utility service territory, regions served by specific regional transmission entities; divisions with an incumbent utility's service territory; major metropolitan and surrounding areas, etc.;
- (4) Whether default service, as contemplated by § 56-585 of the Act, should be limited to unregulated services, i.e. is it necessary to designate distribution service as a default service;
- (5) For generation-related default service, whether the separate components of generation service to retail customers (capacity or resource reservation, energy, transmission, and ancillary services) should be treated as separate default services or bundled into a single service;
- (6) For generation-related default service, whether the service should be delivered to the retail customer or to the incumbent utility;

(7) Whether the language of the statute prohibits the provision of default service to an incumbent utility on behalf of a group of customers, i.e. could a third party provide service to an incumbent utility for indirect service to retail customers (service to satisfy load growth, specific localities, or to customer subgroups);

(8) Whether the provision of default services should differ by customer class;

(9) Whether different components of default service can be provided by different suppliers;

(10) Whether default service has the same meaning for different classes of customers, i.e., those who do not affirmatively select a supplier, those who are unable to obtain service from an alternative supplier, or those who have contracted with an alternative supplier who fails to perform;

(11) How should charges for default service be collected;

(12) Whether metering, billing and collecting services should be deemed components of default service; and

(13) What implications would the alternative provision of default service have for the determination of wires charges?

We recognize that the issues enumerated above predominantly address the determination of the components of default service pursuant to § 56-585 A of the Restructuring Act. Once these components have been established, we will solicit input from interested parties on the designation of providers of default service pursuant to § 56-585 B of the Act.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE-2002-00645.

(2) The Commission Staff shall forthwith invite representatives of incumbent electric utilities, competitive suppliers, retail customers and other interested parties to participate in a work group to assist the Staff in determining the components of default service in furtherance of the Commission's obligations under § 56-585 of the Restructuring Act. The first work group session shall be held in the Commission's third floor training room on March 4, 2003, at 9:30 a.m. The Staff may schedule further work group meetings as necessary and appropriate.

(3) On or before January 21, 2003, persons with an interest in this proceeding, including those already on the service list for this Order, who desire to remain on or be added to the service list for future filings and orders in this docket shall file with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, a statement of such interest.

(4) On or before February 7, 2003, interested parties may file with the Clerk of the Commission in this docket an original and fifteen (15) copies of any comments on the Commission's determination of the components of default service. Comments shall, at a minimum, address the questions enumerated in this Order.

(5) On or before May 1, 2003, the Staff shall file a report including recommendations on the determination of the components of default service and for establishing appropriate programs for making such services available to retail customers.

(6) On or before May 16, 2003, interested parties may file any comments or requests for hearing on the Staff's Report.

(7) This matter is continued for further orders of the Commission.